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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 004044

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STATE FOR E, NEA-I AND EEB

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TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [IZ](#)

SUBJECT: KRG PRESIDENT BARZANI ON THE HYDROCARBON LAW

Classified By: CETI Ambassador Charles Ries, reasons 1.4 b,d

11. (C) SUMMARY: During an 8 December meeting with Under Secretary Reuben Jeffery, KRG President Masoud Barzani

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expressed concern with what he described as the centralization of power amongst a certain few in Baghdad. President Barzani said that the hydrocarbon law had become a political issue and expressed his support for passage of national hydrocarbon legislation as a guarantee of some KRG control of revenue from the country's natural resources. END SUMMARY.

12. (C) Following meetings by Under Secretary Jeffery with KRG Prime Minister Nechirvan Barzani and several of his ministers, including Minister of Natural Resources Ashti Hawrami (septel), Under Secretary for Economic, Energy, and Agricultural Affairs Reuben Jeffery sat down with KRG President Masoud Barzani on 8 December to discuss the status of the hydrocarbon law in the context of his visits with several Baghdad officials. Under Secretary Jeffery stated that his Baghdad interlocutors believe the current obstacles to passage are political rather than technical. U/S Jeffery said that it appeared that the differences relate to three core philosophical issues: (a) the degree of federalism, (b) the extent of market orientation versus centralization of natural resource development in Iraq, and (c) the transparency of the KRG and GoI handling of Iraq's oil resources. Minister Hawrami acknowledged that ill-will had been created in Baghdad by the KRGs signing of contracts, regardless of their legality, but explained that after months of delays the KRG "could not wait for Baghdad." Under Secretary Jeffery expressed his support for PM Nechirvan Barzani's trip to Baghdad in coming days to discuss hydrocarbon legislation, Peshmerga funding in the 2008 budget law, and implementation of Article 140 over the disputed territories.

13. (C) President Barzani said that the hydrocarbon law had become a political issue. He explained that many officials in Baghdad still believed that all power should be with the central government. He stated that he wants to pass hydrocarbon legislation to clarify roles and responsibilities so that the KRG would not find itself at the mercy of Baghdad officials, whom he described as authoritarian. President Barzani repeated several times that the KRG wanted to be a partner, and not a subordinate, in the affairs of the country, stating that KRG representatives were trying to play an active role in the country's political process.

14. (C) President Barzani agreed with Under Secretary

Jeffery that security progress should be exploited with progress on important legislation and provision of services, but feared that if American forces were to drawdown soon that Shias and Sunnis would resume fighting between and amongst themselves. He asserted that the only viable way ahead was federalism and revenue sharing and expressed his belief that with the recent developments in Anbar, Sunnis were quickly coming to the same conclusion.

¶5. (C) President Barzani expressed confusion with the failure of the several iterations of agreements that the KRG and the central government had already reached. He noted in February 2007 leaders had reached agreement on a federal oil and gas law, and had reiterated in August 2007 with President Talabani and the group of five the leaders' commitment on passing legislation including de-Baathification, provincial powers, and the hydrocarbon law.

¶6. (C) President Barzani stated that the KRG was willing to continue to negotiate and engage the Shia and Sunnis actively, commenting that the Sunni position was moving closer to the Kurds. President Barzani also said that he planned to follow-up with GoI President Talabani to ensure that both are conveying the same message to the central government.

¶6. (C) COMMENT: While President Barzani expressed his support for the hydrocarbon law, he did not delineate any concessions the KRG would be willing to make to reach agreement with the central government. This may have been a reflection of the way he has distanced himself from the particulars of the issue, delegating responsibility for the thorny matter to PM Nechirvan Barzani and Minister of Natural Resources Hawrami. END COMMENT

¶7. (U) This cable was cleared by E staff prior to departure.

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